

BRADLEY COUNTY "911"
EMERGENCY COMMUNICATIONS DISTRICT

AUDIT REPORT

TWELVE MONTHS ENDED JUNE 30, 2013

BRADLEY COUNTY "911"
EMERGENCY COMMUNICATIONS DISTRICT

CONTENTS

June 30, 2013

Management's Discussion and Analysis	1-3
Roster of Board of Directors and Management	4
Financial Section	
Independent Auditors' Report	5-6
Statement of Net Position	7
Statement of Revenues, Expenses and Changes in Net Position	8-10
Statement of Cash Flows	11-12
Notes to Financial Statements	13-20
Supplementary Information	
Budgetary Comparison Schedule	21-23
Required Supplementary Information	
Schedule of Pension Plan and Postemployment Benefits Funding Progress	24
Internal Control and Compliance Section	
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting	25-26
Schedule of Findings and Recommendations	27
Schedule of Prior Year Findings and Recommendations	28

Bradley County 911 Communications Center

Joe Wilson
Director

Management's Discussion and Analysis

Our discussion and analysis of the Bradley County 911 Emergency Communications District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2013. This should be read in conjunction with the District's financial statements, which may be found elsewhere in this document.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net position and statement of revenues, expenses and changes in net position provide information about the activities of the District as a whole and present an overview of the District's finances.

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position

One of the most important questions asked about any entity's finances is: "How did the District do financially this year?" The statement of net position and statement of revenues, expenses and changes in net position report information in a way that helps answer this question. These statements include all assets and liabilities using accrual basis accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in net position. Net position -- the difference between assets and liabilities -- is one way to measure the District's financial health, or its financial position. Over time, increases or decreases to the District's net position are an indicator of whether its financial health is improving or deteriorating. An analysis of net position and changes in net position is as follows:

	<u>2013</u>	<u>2012</u>
Net Position		
Current and other assets	\$ 2,172,329	\$ 1,901,356
Capital assets	<u>748,588</u>	<u>566,192</u>
Total assets	2,920,917	2,467,548
Current liabilities	(83,842)	(80,103)
Long-term liabilities	<u>(406,287)</u>	<u>(295,536)</u>
Total liabilities	<u>(490,129)</u>	<u>(375,639)</u>
Net Position	<u>\$ 2,430,788</u>	<u>\$ 2,091,909</u>
Summary of net position -		
Invested in capital assets	748,588	566,192
Unrestricted	<u>1,682,200</u>	<u>1,525,717</u>
Total Net Position	<u>\$ 2,430,788</u>	<u>\$ 2,091,909</u>
Change in Net Position		
Operating revenues	\$ 1,363,129	\$ 1,348,752
Operating expenses	<u>2,280,708</u>	<u>2,309,450</u>
Operating loss	(917,579)	(960,698)
Non-operating income	<u>1,256,458</u>	<u>915,194</u>
Change in Net Position	338,879	(45,504)
Net Position - beginning	<u>2,091,909</u>	<u>2,137,413</u>
Net Position - ending	<u>\$ 2,430,788</u>	<u>\$ 2,091,909</u>

Analysis of Financial Position and Results of Operations

The District's net position has increased by \$338,879 over the previous year. Operating revenue increased 1.06% due to an increase in operational funding received from the TECB. Operating expenses decreased 1.24% due to decreases in salaries and wages.

The District's Net Position

The District completed the year with net position of \$2,430,788, an increase of \$338,879 over the previous year.

Budgetary Highlights

In order to prevent budget overruns, the final budget was amended. The significant changes were to TECB operational funding, TECB grants and reimbursements, dispatcher salary expenses, retirement compensation expenses and postemployment health benefit expense.

Capital Assets

At the end of the accounting period, the District had \$748,588 in capital assets such as communication and office equipment, furniture and fixtures and building and improvements. This amount represents an increase of \$182,396 or 32.21%. This increase is primarily due to the purchase of Nextgen 911 equipment.

Financial Activity and Plans for Future Needs

The District installed a new 911 PSAP system near the end of the fiscal year. The Tennessee Emergency Communications Board assisted local Districts in funding and implementing new PSAP equipment to accommodate wireless IP-based 911. Our District successfully tested and migrated over to IP-based wireless 911. Our District now has new 911 PSAP equipment as well as VHF and 800 MHz radios for each agency, all of which meet the FCC's narrowband regulations.

Capital investments for the upcoming year include adding sound dampening equipment in the dispatch room, resurfacing/marketing the parking lot, and replacement of antennas on the tower.

Joseph B. Wilson, Jr.
Director

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
ROSTER OF BOARD OF DIRECTORS AND MANAGEMENT
June 30, 2013

Danny Lawson, Chairman

Wes Snyder, Vice Chairman

Janice Casteel, Treasurer

Steve Haun, Secretary

Gary Davis, Member

Tom Rowland, Member

Connie Spencer, Member

Troy Spence, Member

Hank Hayden, Member

John England, Member

Jim Ruth, Member

HARTING, BISHOP & ARRENDALE, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

ELIZABETH HARTING, CPA
KELVIN W. BISHOP, CPA
THOMAS H. ARRENDALE, CPA, MBA

JANICE L. HAYES, CPA
CASSIE BELL, CPA

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Bradley County "911" Emergency
Communications District

Report on the Financial Statements

We have audited the accompanying financial statements of Bradley County "911" Emergency Communications District as of and for the year ended June 30, 2013, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Bradley County "911" Emergency Communications District, as of June

30, 2013, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 1 through 3 and the schedule of pension plan and postemployment benefits funding progress on page 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

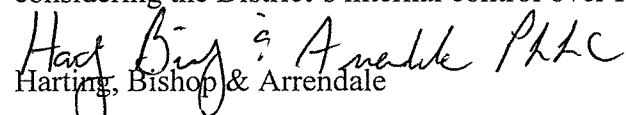
Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Bradley County "911" Emergency Communications District's basic financial statements. The budgetary comparison schedule on pages 21 through 23 is not a required part of the basic financial statements.

The budgetary comparison schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2013, on our consideration of the Bradley County "911" Emergency Communications District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.


Harting, Bishop & Arrendale

Cleveland, Tennessee
September 28, 2013

FINANCIAL SECTION

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2013

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,682,741
Certificates of deposit	131,364
Accounts receivable	74,789
TECB grants and reimbursements receivable	279,837
Accrued interest receivable	520
Prepaid expense	<u>3,078</u>
Total Current Assets	<u>2,172,329</u>

Capital Assets

Furniture and fixtures	156,302
Office equipment	76,789
Communications equipment	1,870,831
Leasehold improvements	<u>72,696</u>
Total Capital Assets	2,176,618
Accumulated Depreciation	<u>(1,428,030)</u>
Capital Assets, net	<u>748,588</u>

Total Assets \$ 2,920,917

LIABILITIES AND NET POSITION

Current Liabilities

Accounts payable	\$ 4,278
Accrued payroll	25,083
Compensated absences	<u>54,481</u>
Total Current Liabilities	<u>83,842</u>

Long-term Liabilities

Postemployment health benefit liabilities	<u>406,287</u>
Total Liabilities	<u>490,129</u>

Net Position

Invested in capital assets	748,588
Unrestricted	<u>1,682,200</u>
Total Net Position	<u>2,430,788</u>

Total Liabilities and Net Position \$ 2,920,917

The accompanying notes are an integral part of this financial statement.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2013

OPERATING REVENUES

Emergency telephone service charge	\$ 630,113
TECB - shared wireless charge	239,870
TECB - operational funding	354,547
Tower rental income	30,300
CLEC settlement	102,667
Miscellaneous income	<u>5,632</u>
Total Operating Revenues	<u>1,363,129</u>

OPERATING EXPENSES

Salaries and Wages	
Director	75,175
Administrative personnel	237,208
Dispatchers	698,166
Overtime	41,409
Bonuses	14,308
Supplemental pay	1,665
Longevity pay	8,800
Sold vacation pay	8,726
College pay	<u>750</u>
Total Salaries and Wages	<u>1,086,207</u>

Employee Benefits	
Social security	79,104
Life insurance	11,982
Medical insurance	187,160
Dental insurance	11,060
Unemployment compensation	290
Retirement compensation	136,420
Other fringe benefits	4,927
Postemployment health benefit expense	<u>110,751</u>
Total Employee Benefits	<u>541,694</u>

Contracted Services	
Advertising	759
Audit services	8,296
Administrative fees - service charge	18,857
Fees paid to service providers	68,787
Impact payments	83,500
Janitorial services	8,498
Legal services	42,760

(Continued on next page)

The accompanying notes are an integral part of this financial statement.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended June 30, 2013

(continued from previous page)

NCIC/TBI/TIES expenses	10,175
Lease/Rental - buildings and facilities	2,400
Computer system administration	79,931
Maintenance and repairs - communications equipment	74,921
Maintenance and repairs - buildings and facilities	8,367
Maintenance and repairs - office equipment	5,060
Total Contracted Services	<u>412,311</u>
Supplies and Materials	
Office supplies	7,955
Custodial supplies	3,385
Postage	547
Small equipment purchases	6,517
Uniforms and shirts	4,618
Utilities - electric	15,680
Utilities - general telephone	19,364
Utilities - cell phone and pagers	11,154
Total Supplies and Materials	<u>69,220</u>
Other Charges	
Dues and memberships	1,946
Employee testing and exams	1,113
Insurance - workers compensation	4,566
Insurance - liability	7,571
Insurance - buildings and content	6,459
Insurance - equipment	2,286
Insurance - vehicles	466
License and fees	228
Premiums on surety bonds	1,850
Service awards	288
Training expense	7,777
Travel expenses	19,780
Other charges	1,823
Total Other Charges	<u>56,153</u>
Depreciation	
Depreciation expense	<u>115,123</u>
Total Depreciation	<u>115,123</u>
Total Operating Expenses	<u>2,280,708</u>

(Continued on next page)

The accompanying notes are an integral part of this financial statement.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended June 30, 2013

(continued from previous page)

Operating Loss	<u>(917,579)</u>
NON-OPERATING REVENUES	
Interest income	6,545
TECB grants and reimbursement	340,823
Contributions from primary government	900,000
Contributions from other governments and agencies	<u>9,090</u>
Non-Operating Revenue	<u>1,256,458</u>
Change in Net Position	338,879
Net Position, beginning	<u>2,091,909</u>
Net Position, ending	<u>\$ 2,430,788</u>

The accompanying notes are an integral part of this financial statement.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2013

Cash Flows from Operating Activities	
Cash received from surcharges and other revenues	\$ 1,384,600
Cash payments to suppliers for goods and services	(544,080)
Cash payments for payroll, taxes and related benefits	<u>(1,508,924)</u>
Net Cash Used by Operating Activities	<u>(668,404)</u>
Cash Flows from Noncapital Financial Activities	
Grants/Reimbursement TECB	60,986
Contributions from primary government	900,000
Contributions from other governments	<u>9,090</u>
Net Cash Provided by Noncapital Financing Activities	<u>970,076</u>
Cash Flows from Capital and Related Financing Activities	
Purchase of capital assets	<u>(297,519)</u>
Net Cashed Used by Capital and Related Financing Activities	<u>(297,519)</u>
Cash Flows from Investing Activities	
Interest income received	<u>6,550</u>
Net Cash Provided by Investing Activities	<u>6,550</u>
Net Increase in Cash and Cash Equivalents	10,703
Cash and Cash Equivalents at Beginning of Year	<u>1,672,038</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 1,682,741</u></u>

(Continued on next page)

The accompanying notes are an integral part of this financial statement.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2013

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating loss	\$ (917,579)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities	
Depreciation expense	115,123
Change in assets and liabilities:	
Increase in receivables	21,471
Decrease in accounts payable	(1,829)
Decrease in accrued payroll	(1,220)
Increase in compensated absences	6,789
Decrease in prepaid expenses	(1,910)
Increase in postemployment health benefit liabilities	<u>110,751</u>
Net Cash Used by Operating Activities	<u>\$ (668,404)</u>

The accompanying notes are an integral part of this financial statement.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 - General Information

Public Chapter No. 867 of the 1984 Tennessee Public Acts ("The Emergency Communications District Law") was enacted to establish local emergency telephone services; to provide for the funding of such services and such district; and to provide for the levying of a telephone service charge. On July 1, 2001, the Cleveland/Bradley Communications Center and the Bradley County "911" Emergency Communications District, each originally created to serve such functions, merged to form one emergency communication entity. The District is an agency of the City of Cleveland, the City of Charleston, and Bradley County, Tennessee, from which it receives additional revenues.

NOTE 2 - Summary of Significant Accounting Policies

Basis of Accounting

The District is a governmental unit, subject to accounting directives issued by the Governmental Accounting Standards Board (GASB), and anticipates recovering the cost of its services in a manner similar to a private business enterprise. Therefore, the District uses the flow of economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred, regardless of timing of related cash flows. Operating revenues are those that result from the activities of the District, including telephone service charges, expense reimbursements, and grants for operations. Revenue from other sources is considered non-operating.

Cash and Cash Equivalents

Cash and cash equivalents are highly liquid investments which have original maturities of three months or less.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Capital Assets

Expenditures for capital assets are recorded at historical cost. Capital assets are depreciated using the straight-line method. The District generally capitalizes assets with a cost of \$500 or more. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 - Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

Estimated useful lives, in years, for depreciable assets are as follows:

Furniture and fixtures	5-10
Office Equipment	5-10
Communication equipment	5-10
Leasehold improvements	5-10

Joint Venture

Bradley County "911" Emergency Communications District is a joint venture between Bradley County, Tennessee and the Cities of Cleveland and Charleston, Tennessee. The District assists emergency service agencies in the saving of lives, protection of property, and swift apprehension of criminals for all citizens of Bradley County. The board consists of ten ex-officio members including: the County Mayor, the City of Cleveland Mayor, the City of Charleston Police Chief, the County Sheriff, the Cleveland Police Chief, the Cleveland Fire Chief, the Director of Emergency Medical Services, the Director of the Emergency Management Agency, Cleveland City Manager and Bradley County Fire Chief, along with three persons appointed by the County Mayor with the approval of the County Commission and the City of Cleveland Council.

Compensated Absences

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the District. Up to thirty days vacation may be carried forward into the following calendar year. Any excess accumulated vacation days are converted to sick leave. Each employee also has the option annually to convert up to 5 unused vacation days to cash. Employees are entitled to their accrued vacation leave upon termination of service. Compensated absences are reported as accrued in the District's financial statements.

Budgets and Budgetary Accounting

The District's Board approves an annual budget based upon anticipated revenues and estimated operating expenses. In accordance with the level of control established by the Tennessee Comptroller of the Treasury, operating expenses may not exceed the amount budgeted in each line item. Budgeted expenses may be amended, as needed, to meet changing needs.

NOTE 3 - Cash on Deposit

The treasurer of the District is responsible for receiving, disbursing, depositing and investing the District's funds. The District's policy related to deposits and investment risk is to invest in certificates of deposit usually with a maturity of three years or less. The District's policy is designed to maximize its earnings, while protecting the security and providing maximum liquidity, in accordance with all applicable state laws. All deposits with a bank or other financial institution shall be secured by collateral or in a collateral pool as allowed by state statutes. As of June 30, 2013 all deposits with financial institutions were secured by collateral or by State of TN Bank collateral pool.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 3 - Cash on Deposit (continued)

A schedule of cash and investments classified by category of credit risk at June 30, 2013 is as follows:

	Carrying Amount	Bank Balance
Cash, insured by Federal Depository Insurance (FDIC)	\$ 250,000	\$ 250,000
Cash, collateralized by the State of TN Bank Collateral Pool	1,432,691	1,559,517
Certificates of Deposit, insured by FDIC	131,364	131,364
Petty Cash	50	50
Total	<u>\$ 1,814,105</u>	<u>\$ 1,940,931</u>

NOTE 4 - Accounts Receivable

The account receivable balance represents amounts due from the telephone companies' subscriber service charges at June 30, 2013.

NOTE 5 - Capital Assets

The following is a schedule of changes to capital assets:

	June 30, 2012	Additions	Retirements	June 30, 2013	Accumulated Depreciation June 30, 2013
Furniture and fixtures	\$ 156,302	\$ -	\$ -	\$ 156,302	\$ 78,329
Office equipment	76,789	-	-	76,789	56,956
Communications equipment	1,575,800	295,031	-	1,870,831	1,240,912
Leasehold improvements	70,208	2,488	-	72,696	51,833
Total	<u>\$ 1,879,099</u>	<u>\$ 297,519</u>	<u>\$ -</u>	<u>\$ 2,176,618</u>	<u>\$ 1,428,030</u>

Provision for depreciation totaled \$115,123 for the year ended June 30, 2013.

NOTE 6 - Risk Management - Claims and Insurance

Significant losses are covered by commercial insurance for property, liability, and employee dishonesty. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current or the three prior years.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 7 - Lease Commitments

The District leases the land on which the communications center is located from Cleveland Utilities. The lease agreement provides that the annual rental shall be in the amount of \$1 per year payable in advance. The term of the lease, which originated October 25, 1996, is for a period of twenty years. The District has the option to renew the lease for one additional period of twenty years under the same terms and conditions as the original lease.

NOTE 8 - Impact Payments

The building used as the communications center for the District is owned by the City of Cleveland, Tennessee. The City issued bonds in the amount of \$1.1 million to finance the construction of the communications center and purchase of necessary equipment. Under the terms of the bond resolution, the City must own the building. The District will make impact payments to the City in the amount of the annual debt service requirements on the bonds. Impact payments for the year ended June 30, 2013 totaled \$83,500.

NOTE 9 - Retirement Plan

Plan Description

Employees of Bradley County "911" Emergency Communications District are members of the Political Subdivision Pension Plan (PSPP), an agent multiple-employer defined benefit pension plan administered by the Tennessee Consolidated Retirement System (TCRS). TCRS provides retirement benefits as well as death and disability benefits. Benefits are determined by a formula using the member's high five-year average salary and years of service. Members become eligible to retire at the age of 60 with five years of service or at any age with 30 years of service. A reduced retirement benefit is available to vested members at the age of 55. Disability benefits are available to active members with five years of service who become disabled and cannot engage in gainful employment. There is no service requirement for disability that is the result of an accident or injury occurring while the member was in the performance of duty. Members joining the system after July 1, 1979 become vested after five years of service and members joining prior to July 1, 1979 were vested after four years of service. Benefit provisions are established in state statute found in Title 8, Chapter 34-37 of the Tennessee Code Annotated (TCA). State statutes are amended by the Tennessee General Assembly. Political subdivisions such as Bradley County "911" Emergency Communications District participate in the TCRS as individual entities and are liable for all costs associated with the operation and administration of their plan. Benefit improvements are not applicable to a political subdivision unless approved by the chief governing body.

The TCRS issues a publicly available financial report that includes financial statements and required supplementary information for the PSPP. That report may be obtained by writing to Tennessee Treasury Department, Consolidated Retirement System, 10th Floor Andrew Jackson Building, Nashville, TN 37243-0230 or can be accessed at <http://www.tn.gov/treasury/tcrs/PS/>.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 9 - Retirement Plan (continued)

Funding Policy

Bradley County "911" Emergency Communications District has adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0 percent of annual covered payroll.

Bradley County "911" Emergency Communications District is required to contribute at an actuarially determined rate; the rate for the fiscal year ending June 30, 2013 was 12.77% of annual covered payroll. The contribution requirement of plan members is set by state statute. The contribution requirement for Bradley County "911" Emergency Communications District is established and may be amended by the TCRS Board of Trustees.

Annual Pension Cost

For the year ending June 30, 2013, Bradley County "911" Emergency Communications District's annual pension cost of \$136,420 to TCRS was equal to Bradley County "911" Emergency Communications District's required and actual contributions. The required contribution was determined as part of the July 1, 2011 actuarial valuation using the frozen entry age actuarial cost method. Significant actuarial assumptions used in the valuation include (a) rate of return on investment of present and future assets of 7.5 percent a year compounded annually, (b) projected 3.0 percent annual rate of inflation, (c) projected salary increases of 4.75 percent (graded) annual rate (no explicit assumption is made regarding the portion attributable to the effects of inflation on salaries), (d) projected 3.5 percent annual increase in the Social Security wage base, and (e) projected post retirement increases of 2.5 percent annually. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of total investments over a ten-year period. Bradley County "911" Emergency Communications District's unfunded actuarial accrued liability is being amortized as a level dollar amount on a closed basis. The remaining amortization period at July 1, 2011 was 2 years. An actuarial valuation was performed as of July 1, 2011, which established contribution rates effective July 1, 2012.

Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2013	\$136,420	100.00%	\$0.00
June 30, 2012	\$141,742	100.00%	\$0.00
June 30, 2011	\$129,989	100.00%	\$0.00

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 9 - Retirement Plan (continued)

Funded Status and Funding Progress

As of July 1, 2011, the most recent actuarial valuation date, the plan was 93.00 percent funded. The actuarial accrued liability for benefits was 1.55 million, and the actuarial value of assets was \$1.44 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$0.11 million. The covered payroll (annual payroll of active employees covered by the plan) \$1.02 million, and the ratio of the UAAL to the covered payroll was 10.63 percent.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 01, 2011	\$1,438	\$1,547	\$108	93.00%	\$1,018	10.63%
July 01, 2009	\$965	\$1,100	\$135	87.72%	\$1,018	13.27%
July 01, 2007	\$736	\$894	\$158	82.33%	\$1,028	15.37%

NOTE 10 – Postemployment benefits

In June 2004, The Governmental Accounting Standards Board issued Statement No. 45 ("GASB 45"), *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB 45's objective is to establish standards for the measurement, recognition, and display of post-employment benefit expenses, related liabilities, note disclosures, and required supplementary information. GASB 45 does not require funding of plan benefits. The District has implemented GASB 45 in the year ended June 30, 2010. GASB 45 was implemented prospectively with a zero net OPEB obligation at transition.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 10 – Postemployment benefits (continued)

Plan Description

The District provides postretirement medical, dental and life insurance benefits to employees who retire from the District with 25 years of service, or age 55 with 10 years of service. Medical benefits are provided using a point of service (POS) plan through CIGNA. Dental benefits are provided using a preferred provider organization (PPO) through Blue Cross/Blue Shield. Boston Mutual Life Insurance provides life insurance benefits. The following schedule applies to employees with over 10 years of service. If the retiree has family coverage the District will pay half the difference between the cost of the family plan and the cost of the individual plan.

<u>Years of Service At Retirement</u>	<u>Percentage of Premium Paid by Participant</u>
<15	100.00%
15	50.00%
16	46.67%
17	40.33%
18	40.00%
19	36.67%
20	33.33%
21	30.00%
22	26.67%
23	23.33%
24	20.00%
25	16.67%
26	13.33%
27	10.00%
28	6.67%
29	3.33%
30+	0.00%

Funding Policy and Annual OPEB Cost

The District's annual other postemployment benefit (OPEB) cost (expense) for the plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The District's annual OPEB cost for the current year are as follows:

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2013

NOTE 10 – Postemployment benefits (continued)

Annual Required Contribution (ARC)	\$117,990
Interest on net OPEB obligation	11,821
Adjust to annual required contribution	<u>(13,964)</u>
Annual OPEB cost (expense)	115,847
Contribution made	<u>(5,096)</u>
Increase in net OPEB obligation	110,751
Net OPEB obligation – June 30, 2012	<u>295,536</u>
Net OPEB obligation – June 30, 2013	<u>\$406,287</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the next OPEB obligation for 2013 is as follows:

Fiscal Year <u>Ending</u> 6/30/13	Annual <u>OPEB Cost</u> \$115,847	Percentage of Annual OPEB <u>Cost Contributed</u> 4.4%	Net OPEB <u>Obligation</u> \$406,287
--	---	---	---

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2013, was as follows:

Actuarial accrued liability (AAL)	\$ 799,689
Actuarial value of plan assets	<u>0</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 799,689</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 1,086,207
UAAL as a percentage of covered payroll	73.62%

Actuarial Methods and Assumptions

In the July 1, 2011 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.00% funding interest rate. The 2011 medical cost trend rate used was 9% with an ultimate medical cost trend rate of 5% projected to be reached in 2015. The annual payroll growth rate is assumed to be 2.5%. The remaining amortization period for the unlimited actuarial accrued liability as of June 30, 2012 is 26.6 years.

SUPPLEMENTARY INFORMATION

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
BUDGET COMPARISON SCHEDULE
For the Year Ended June 30, 2013

	Actual (Accrual Basis)	Budget (Accrual Basis)	Variance (Over) Under
<u>OPERATING REVENUES</u>			
Emergency telephone service charge	\$ 630,113	\$ 700,000	\$ 69,887
TECB - shared wireless charge	239,870	230,000	(9,870)
TECB - operational funding	354,547	345,000	(9,547)
Tower rental income	30,300	30,300	-
CLEC settlement	102,667	102,667	-
Miscellaneous income	5,632	5,388	(244)
Total Operating Revenues	<u>1,363,129</u>	<u>1,413,355</u>	<u>50,226</u>
<u>OPERATING EXPENSES</u>			
<u>Salaries and Wages</u>			
Director	75,175	78,887	3,712
Administrative personnel	237,208	243,359	6,151
Dispatchers	698,166	734,377	36,211
Overtime	41,409	50,000	8,591
Bonuses	14,308	14,349	41
Supplemental pay	1,665	5,000	3,335
Longevity pay	8,800	8,800	-
Sold vacation pay	8,726	9,500	774
College pay	750	750	-
Total Salaries and Wages	<u>1,086,207</u>	<u>1,145,022</u>	<u>58,815</u>
<u>Employee Benefits</u>			
Social security	79,104	87,748	8,644
Life insurance	11,982	14,348	2,366
Medical insurance	187,160	210,089	22,929
Dental insurance	11,060	13,001	1,941
Unemployment compensation	290	10,000	9,710
Retirement compensation	136,420	146,475	10,055
Other fringe benefits	4,927	11,300	6,373
Postemployment health benefit expense	110,751	116,000	5,249
Total Employee Benefits	<u>541,694</u>	<u>608,961</u>	<u>67,267</u>
<u>Contracted Services</u>			
Advertising	759	1,000	241
Audit services	8,296	8,300	4
Administrative fees - service charge	18,857	23,000	4,143

(Continued on next page)

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
BUDGET COMPARISON SCHEDULE

For the Year Ended June 30, 2013

(continued from previous page)

	Actual (Accrual Basis)	Budget (Accrual Basis)	Variance (Over) Under
<u>Contracted Services (continued)</u>			
Fees paid to service providers	68,787	75,000	6,213
Impact payments	83,500	83,500	-
Janitorial services	8,498	9,000	502
Legal services	42,760	43,480	720
NCIC/TBI/TIES expenses	10,175	12,000	1,825
Pest Control	-	500	500
Lease/Rental - buildings & facilities	2,400	2,400	-
Computer system administration	79,931	80,000	69
Maint and repairs - comm equip	74,921	85,100	10,179
Maint and repairs - bldg & facility	8,367	17,600	9,233
Maint and repairs - office equip	5,060	9,000	3,940
Total Contracted Services	<u>412,311</u>	<u>449,880</u>	<u>37,569</u>
<u>Supplies and Materials</u>			
Office supplies	7,955	13,000	5,045
Custodial supplies	3,385	4,000	615
Postage	547	800	253
Small equipment purchases	6,517	23,500	16,983
Uniforms and shirts	4,618	5,000	382
Utilities - electric	15,680	19,700	4,020
Utilities - general telephone	19,364	26,000	6,636
Utilities - cell phone and pagers	11,154	15,500	4,346
Total Supplies and Materials	<u>69,220</u>	<u>107,500</u>	<u>38,280</u>
<u>Other Charges</u>			
Dues and memberships	1,946	5,000	3,054
Employee testing and exams	1,113	5,000	3,887
Insurance - workers compensation	4,566	5,000	434
Insurance - liability	7,571	8,381	810
Insurance - buildings and content	6,459	8,583	2,124
Insurance - equipment	2,286	2,286	-
Insurance - vehicles	466	500	34
Licenses and fees	228	300	72
Premiums on surety bonds	1,850	2,000	150
Service awards	288	500	212
Training expense	7,777	12,500	4,723
Travel expenses	19,780	20,000	220

(Continued on next page)

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
BUDGET COMPARISON SCHEDULE

For the Year Ended June 30, 2013

(continued from previous page)

	Actual (Accrual Basis)	Budget (Accrual Basis)	Variance (Over) Under
<u>Other Charges (continued)</u>			
Other charges	1,823	2,900	1,077
Total Other Charges	56,153	72,950	16,797
<u>Depreciation</u>			
Depreciation expense	115,123	113,000	(2,123)
Total Depreciation	115,123	113,000	(2,123)
 Total Operating Expenses	 2,280,708	 2,497,313	 216,605
 Operating Loss	 (917,579)	 (1,083,958)	 166,379
 <u>NON-OPERATING REVENUES</u>			
Interest income	6,545	6,000	(545)
TECB grants and reimbursement	340,823	276,000	(64,823)
Contributions from primary government	900,000	900,000	-
Contributions from other governments	9,090	9,090	-
Non-Operating Revenue	1,256,458	1,191,090	(65,368)
 Change in Net Position	 \$ 338,879	 \$ 107,132	 \$ 231,747

REQUIRED SUPPLEMENTARY
INFORMATION

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF PENSION PLAN AND POSTEMPLOYMENT
BENEFITS FUNDING PROGRESS
June 30, 2013

Pension Plan

(Dollar amounts in thousands)						
Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b) – (a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 01, 2011	\$1,438	\$1,547	\$108	93.00%	\$1,018	10.63%
July 01, 2009	\$965	\$1,100	\$135	87.72%	\$1,018	13.27%
July 01, 2007	\$736	\$894	\$158	82.33%	\$1,028	15.37%

The Governmental Accounting Standards Board (GASB) requires the plan to prepare the Schedule of Funding Progress using the entry age actuarial cost method. The requirement to present the Schedule of Funding Progress using the Entry Age actuarial cost method was a change made during the year and therefore only the most current year is presented.

Postemployment Benefits

(Dollar amounts in thousands)						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b) – (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/11	\$0	\$697	\$697	0.00%	\$1,185	58.80%
07/01/12	\$0	\$800	\$800	0.00%	\$1,157	69.14%

INTERNAL CONTROL
AND COMPLIANCE SECTION

HARTING, BISHOP & ARRENDALE, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

ELIZABETH HARTING, CPA
KELVIN W. BISHOP, CPA
THOMAS H. ARRENDALE, CPA, MBA

JANICE L. HAYES, CPA
CASSIE BELL, CPA

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
TENNESSEE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS*

To the Board of Directors
Bradley County "911" Emergency
Communications District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Bradley County "911" Emergency Communications District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Bradley County "911" Emergency Communications District's basic financial statements, and have issued our report thereon dated September 28, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bradley County "911" Emergency Communications District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

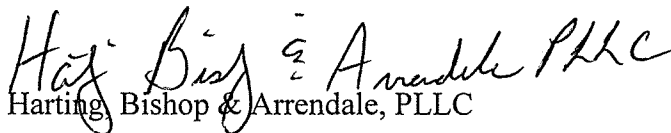
As part of obtaining reasonable assurance about whether Bradley County “911” Emergency Communications District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and recommendations as item 2013-1.

Bradley County “911” Emergency Communications District’s Response to Findings

Bradley County “911” Emergency Communications District’s response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. Bradley County “911” Emergency Communications District’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Harting Bishop & Arrendale, PLLC

Cleveland, Tennessee
September 28, 2013

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For the Fiscal Year Ended June 30, 2013

The findings and recommendations as a result of the audit of the Bradley County "911" Emergency Communications District are presented below. This finding is repeated from the prior year.

2013-1: Budget

Condition and Criteria: The District is required to maintain expenditures within budget amounts. Budget line items were over expended.

Effect: District has made expenditures in excess of the amounts budgeted.

Cause: The District had one account with expenditures in excess of the budgeted amount.

Recommendation: We recommend the District maintain the approved budget to ensure expenditures remain within budget.

Management Response: We agree with the auditors' findings and recommendations and have implemented budget procedures to ensure expenditures are budgeted and budgets are properly amended.

BRADLEY COUNTY "911" EMERGENCY COMMUNICATIONS DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
For the Fiscal Year Ended June 30, 2013

2012-1: Budget

Condition and Criteria: The District is required to maintain expenditures within budget amounts. Budget line items were over expended.

Effect: District has made expenditures in excess of the amounts budgeted.

Cause: The District had one account that had expenditures in excess of the budgeted amount.

Recommendation: We recommend the District maintain the approved budget to ensure expenditures remain within budget.

Current Status: The finding is repeated for the year ended June 30, 2013.